

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY)	
d/b/a WE ENERGIES for approval of a power supply)	
cost recovery plan and authorization of monthly)	Case No. U-18148
power supply cost recovery factors for the calendar)	
year 2017.)	
_____)	

At the April 28, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On September 30, 2016, Wisconsin Electric Power Company d/b/a We Energies (WEPCo), filed an application, with supporting testimony and exhibits, requesting authority to implement a power supply cost recovery (PSCR) plan and factors for the 12-month period ending December 31, 2017. WEPCo requested, among other things, that the Commission approve 12 monthly PSCR factors of \$0.00243 per kilowatt hour (kWh) based upon: (1) a current base cost of power supply included in base rates of \$45.47 per megawatt-hour (MWh) at the customer level; (2) a proposed 2017 PSCR factor of \$0.00243 per kWh; and (3) a prior year's PSCR true-up factor of \$0.00000 per kWh.

A prehearing conference was held on November 16, 2016, before Administrative Law Judge Sharon L. Feldman. WEPCo, the Commission Staff (Staff), Tilden Mining Company L.C.

(Tilden), and Citizens Against Rate Excess (CARE) participated in the proceedings. The ALJ granted intervenor status to Tilden and CARE. CARE subsequently filed a motion to withdraw its intervention, which was granted on January 17, 2017.

On December 9, 2016, the Commission approved a settlement agreement in Case No. U-18061 (U-18061 settlement agreement), which provides that, effective January 1, 2017, Upper Michigan Energy Resources Corporation (UMERC) became a Michigan-jurisdictional regulated utility providing retail electric and gas service in Michigan. Pursuant to the U-18061 settlement agreement, UMEREC provides retail service to the former Michigan electric customers of WEPCo (except, initially, Tilden and the Empire Iron Mining Partnership (Empire) (collectively the Mines)) and the former Michigan electric and natural gas customers of Wisconsin Public Service Corporation (WPS Corp). The U-18061 settlement agreement states that WEPCo will continue to serve the Mines until termination of both of the 2015-2019 Large Curtailable Special Contracts between WEPCo and the Mines that were approved by the Commission's April 23, 2015 order in Case No. U-17862, at which time the Mines will be transferred as customers of UMEREC.

In a letter appended as Attachment B to WEPCo's September 1, 2016 application requesting approval of a contract amendment, in Case No. U-17862, WEPCo and Empire agreed that Empire's special contract would terminate no later than October 15, 2016. The Commission approved the contract termination in the December 9, 2016 order in Case No. U-17862. As a result, for the 12 months of 2017, WEPCo's only PSCR customer will be Tilden.

In light of the foregoing, on February 8, 2017, WEPCo filed an amended application, and supplemental testimony and exhibits to reflect the changes to its customer and service portfolio in Michigan due to the formation of UMEREC effective January 1, 2017.

Subsequently, the parties submitted a settlement agreement resolving all issues in the case. According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that the Commission should approve and authorize WEPCo to implement for its service to Tilden: (1) 2017 monthly PSCR factors of \$0.00243 per kWh; and (2) a prior year's true-up credit factor of \$0.00000 per kWh. The result is a maximum authorized PSCR factor of \$0.00243 per kWh, effective as of the date of the Commission order approving this settlement agreement. Attachment A to the settlement agreement shows the tariff sheet reflecting these charges.

The terms of the settlement agreement also provide that: (1) WEPCo will apply the September 28, 2016 Federal Energy Regulatory Commission Opinion No. 551 transmission rate refund to reduce WEPCo's transmission expense in the month recorded on the financial statements for WEPCo via the PSCR factor. The refund amounts only include refunds pertaining to WEPCo's service to Tilden during the period February 1, 2015, to February 11, 2015, and the period September 28, 2016, to September 30, 2016, and Tilden's allocated share of the refunds pertaining to WEPCo's service to the Empire Mine during the period February 1, 2015 to February 11, 2015, and the period September 28, 2016, to September 30, 2016; and (2) the settlement of this case and entry of the settlement agreement shall in no way operate or be construed as a waiver of any argument with respect to Rothschild Biomass plant cost elements or cost levels included in the PSCR factor.

The settlement agreement further provides that WEPCo's 5-year forecast of power supply requirements meets the statutory mandates of 1982 PA 304 and should be accepted for filing.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Wisconsin Electric Power Company is authorized to implement power supply cost recovery factors of \$0.00243 per kilowatt-hour for its service to Tilden during the 12-month period ending December 31, 2017, effective as of the date of this order.

C. Wisconsin Electric Power Company's five-year forecast of power supply requirements meets the statutory mandates of 1982 PA 304 and is accepted.

D. Within 30 days, Wisconsin Electric Power Company shall file with the Commission a tariff sheet in conformity with Attachment A to the settlement agreement.

E. If Wisconsin Electric Power Company desires to apply a lesser power supply cost recovery factor than that approved by this order, it shall file prior to the billing month, a tariff sheet showing the lesser factors it is applying.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of April 28, 2017.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY)	
d/b/a We Energies for approval of a power)	
supply cost recovery plan and authorization)	Case No. U-18148
of monthly power supply cost recovery factors)	
<u>for the calendar year 2017</u>)	

SETTLEMENT AGREEMENT

As provided in § 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 431 of the Rules of Practice and Procedure Before the Commission, Mich Admin Code, R 792.10431, Wisconsin Electric Power Company (“Wisconsin Electric” or the “Company”), the Michigan Public Service Commission Staff (“Staff”), and Tilden Mining Company L.C. (“Tilden”), hereby agree as follows:

1. On September 30, 2016, Wisconsin Electric filed with the Michigan Public Service Commission (“Commission”) its Application, along with the testimony and exhibits of its witnesses, Joel R. Gaughan, Christine M. Kane, and Meghan M. Count, to implement a Power Supply Cost Recovery (“PSCR”) plan and PSCR factors for the 2017 calendar year.

2. Wisconsin Electric’s Application requested, among other things, the Commission’s approval of the twelve monthly PSCR factors of \$0.00243 per kilowatt hour (“kWh”) based upon: (i) a current base cost of power supply included in base rates of \$45.47 per MWh at the customer level; (ii) a proposed 2017 PSCR factor of a positive \$0.00243 per kWh; and (iii) a prior year’s PSCR true-up factor of \$0.00000 per kWh.

3. On October 10, 2016, the Commission’s Executive Secretary issued a Notice of Hearing and a correspondence directing Wisconsin Electric to: (i) mail a copy of the Notice of

Hearing to all cities, incorporated villages, townships, and counties in its Michigan electric service area, and to all intervenors in Case No. U-17912; (ii) publish the Notice of Hearing in daily newspapers of general circulation throughout its Michigan electric service area; and (iii) serve a copy of its testimony and exhibits on all persons who petitioned to intervene. Wisconsin Electric filed its proofs of mailing and publication on October 19, November 1, and November 2, 2016.

4. On November 16, 2016, Administrative Law Judge Sharon L. Feldman presided over a prehearing conference in this matter. Staff entered its Appearance, and Tilden and Citizens Against Rate Excess ("CARE") were granted intervention. CARE subsequently filed a motion to withdraw its intervention, which was granted on January 17, 2017.

5. On December 9, 2016, the Commission approved a settlement agreement in Case No. U-18061 ("U-18061 Settlement Agreement"), pursuant to which, effective January 1, 2017, Upper Michigan Energy Resources Corporation ("UMERC") became a Michigan jurisdictional regulated utility providing retail electric and gas service in Michigan. Pursuant to the U-18061 Settlement Agreement, UMEREC provides retail service to the former Michigan electric customers of Wisconsin Electric (except, initially, Tilden and the Empire Iron Mining Partnership ("Empire") (collectively the "Mines")) and the former Michigan electric and natural gas customers of Wisconsin Public Service Corporation ("WPS Corp"). The U-18061 Settlement Agreement states that Wisconsin Electric will continue to serve the Mines until termination of both of the 2015-2019 Large Curtailable Special Contracts between Wisconsin Electric and the Mines that were approved by the Commission's April 23, 2015 Order in Case No. U-17862, at which time the Mines would be transferred as customers of UMEREC.

6. In a signed letter appended as Attachment B to Wisconsin Electric's September 1, 2016 Application Requesting Approval of Amendment in Case No. U-17862, Wisconsin Electric and Empire agreed that Empire's special contract would terminate no later than October 15, 2016. The Commission approved the termination letter in its December 9, 2016 Order in Case No. U-17682. As a result, for the twelve months of 2017, Wisconsin Electric's only PSCR customer will be Tilden. On February 8, 2017, Wisconsin Electric filed an amended application, the supplemental direct testimony and revised exhibit of Christine M. Kane, the amended direct testimony and revised exhibits of Joel R. Gaughan, and the supplemental direct testimony and revised exhibit of Meghan M. Count to reflect the changes to its customer and service portfolio in Michigan due to the formation of UMERG effective January 1, 2017.

7. Subsequent to the prehearing conference, the parties negotiated the terms of this Settlement Agreement. The parties to this Settlement Agreement agree as follows:

A. The Commission should approve and authorize Wisconsin Electric to implement for its service to Tilden: (i) 2017 PSCR factors of a positive \$0.00243 per kWh for all customers, and (ii) a prior year's true-up credit factor of \$0.00000 per kWh. The result is maximum authorized PSCR factors of a positive \$0.00243 per kWh effective as of the date of the Commission order approving this Settlement Agreement. Attachment A shows the tariff sheet reflecting these charges.

B. Wisconsin Electric will apply the Federal Energy Regulatory Commission Opinion No. 551 (Order on Initial Decision) issued September 28, 2016 transmission rate refund to reduce Wisconsin Electric's transmission expense in the month recorded on the financial statements for Wisconsin Electric via the PSCR factor. The refund amounts described in this paragraph only include refunds pertaining to Wisconsin Electric's

service to Tilden during the period February 1, 2015 to February 11, 2015, and the period September 28, 2016 to September 30, 2016, and Tilden's allocated share of the refunds pertaining to Wisconsin Electric's service to the Empire Mine during the period February 1, 2015 to February 11, 2015, and the period September 28, 2016 to September 30, 2016.

C. The parties agree that the settlement of this case and entry of this Settlement Agreement shall in no way operate or be construed as a waiver of any argument with respect to Rothschild Biomass plant cost elements or cost levels included in the PSCR factor.

D. Wisconsin Electric's 5-year forecast of power supply requirements meets the statutory mandates of 1982 PA 304 and should be accepted for filing.

8. It is the opinion of the parties that this Settlement Agreement will promote the public interest, will aid the expeditious conclusion of this case, and will minimize the time and expense which would otherwise have to be devoted to this matter by the parties. This Settlement Agreement is not severable, and all provisions of the same are dependent upon all other provisions contained herein.

9. This Settlement Agreement has been made for the sole and express purpose of settling this case. All offers of settlement and discussions relating hereto are, and shall be considered, privileged under MRE 408 and shall not be used in any manner, or be admissible for any other purpose in connection with this proceeding or any other proceeding hereof.

10. Neither the parties to the settlement nor the Commission shall use this Settlement Agreement or the order approving it, as precedent in any case or proceeding; provided however, reference to Paragraph 7 may be made to enforce or implement the provisions thereof in the 2017 PSCR Reconciliation proceeding, Case No. U-18148-R.

11. This Settlement Agreement is intended to be a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval. The parties agree not to appeal, challenge or contest the Commission's Order accepting and approving this Settlement Agreement without modification. If the Commission does not accept the Settlement Agreement without modification, the Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

12. All signatories waive Section 81 of the APA of 1969, as amended, MCL 24.281, as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

Dated: April 12, 2017

By:

WISCONSIN ELECTRIC POWER COMPANY

Michael C.
Rampe

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Dated: April 12, 2017

By:

TILDEN MINING COMPANY L.C.

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POWER SUPPLY COST RECOVERY**PSCR Factors:**

All rates for metered electric service shall include an amount up to the Power Supply Cost Recovery (PSCR) Factor for the specified billing period as set forth below. The PSCR Factor includes an increase or decrease of 0.0104 mills per kWh for each full 0.01 mill increase or decrease in the projected annual power supply costs above or below a cost base of 45.47 mills per kWh, rounded to the nearest one-hundredth of a mill per kWh. The projected power supply costs per kWh shall equal the total projected annual net power cost divided by the projected annual net system energy requirements. Net system energy requirements shall be the sum of net generation and net purchased and interchange power.

An amount not exceeding the PSCR Factor for each month shall be placed into effect in the first billing cycle of that month and shall continue in effect until the first billing cycle of a subsequent month for which a subsequent PSCR Factor becomes operative.

The PSCR Factor applicable to all Power Supply charges for the Mines' Special Contracts and Rate Schedule CpLC shall be as indicated below:

		Prior Period PSCR	Maximum 2017 PSCR Factor	Actual Factor Billed
Month	2017 Plan Year PSCR Factor (\$ per kWh)	Reconciliation Factor (\$ per kWh)	Factor (\$ per kWh)	(\$ per kWh)
Jan 2017	0.00243	0.00000	0.00243	0.00243
Feb 2017	0.00243	0.00000	0.00243	0.00243
Mar 2017	0.00243	0.00000	0.00243	(0.00100)
Apr 2017	0.00243	0.00000	0.00243	(0.00100)
May 2017	0.00243	0.00000	0.00243	
Jun 2017	0.00243	0.00000	0.00243	
Jul 2017	0.00243	0.00000	0.00243	
Aug 2017	0.00243	0.00000	0.00243	
Sep 2017	0.00243	0.00000	0.00243	
Oct 2017	0.00243	0.00000	0.00243	
Nov 2017	0.00243	0.00000	0.00243	
Dec 2017	0.00243	0.00000	0.00243	

Parentheses indicate a credit factor. Should the Company apply lesser factors than those above or if the factors are later revised pursuant to Commission orders or 1982 PA 304, the Company will notify the Commission if necessary and file a revision of the above list.

(Continued on Sheet No. D-4.00)

Issued March 17, 2017
T. T. Eidukas
Vice-President,
Milwaukee, Wisconsin

Effective for bills rendered for
the 2017 Plan year

Issued under authority of the
Section 6j(9) of 1982 PA304
for self-implementing
in Case No. U-18148